Financial report 2010

LEAF Holland B.V. (formerly known as LEAF International B.V.)

Amsterdam, The Netherlands

FINANCIAL STATEMENTS

FOR 2010

Contents

Annual report of the directors

A copy of the annual report of the directors is available at the LEAF Holland 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 61 form an integral part of these consolidated financial statements.*

Consolidated balance sheet

(before proposed appropriation of result)

	Ref.	**31 December 2010**		**31 December 2009**	
Assets					
Non-current assets					
Intangible assets	6	537,583		525,198	
Property, plant and equipment	7	148,552		158,322	
Deferred tax assets	8	23,413		25,167	
Financial assets	9	16,434		4,374	
			725,982		713,061
Current assets					
Inventories	10	63,132		61,527	
Trade and other receivables	11	133,598		127,798	
Current income tax receivable	8	112		307	
Cash and cash equivalents	12	24,573		23,899	
			221,415		213,531
TOTAL ASSETS			**947,397**		**926,592**
Shareholders' equity and liabilities					
Group equity					
Shareholders' equity	13	-85,925		-43,972	
Net result for the year		-39,417		-16,434	
			-125,342		-60,406
Non-current liabilities					
Borrowings	16	760,969		704,802	
Deferred tax liabilities	8	79,590		76,938	
Pensions and other long-term employee benefits	14	25,809		24,768	
Provisions	15	3,312		2,766	
			869,680		809,274
Current liabilities					
Trade and other payables	17	109,688		104,342	
Borrowings	16	71,569		66,296	
Provisions	15	8,711		6,422	
Current income tax liability	8	13,091		664	
			203,059		177,724
TOTAL EQUITY AND LIABILITIES			**947,397**		**926,592**

EUR '000 unless otherwise stated

Consolidated income statement for the year ended 31 December

	Ref.	2010	2009
Net turnover	19	**526,860**	**516,739**
Cost of sales		320,964	322,334
Gross profit		**205,896**	**194,405**
Other income	20	1,634	0
Selling expenses		104,104	96,011
General and administrative expenses		49,418	47,347
Total operating costs		153,522	143,358
Operating result		**54,008**	**51,047**
Finance income		570	248
Finance expenses		-71,863	-69,773
Finance expenses, net	26	-71,293	-69,525
Result before tax		**-17,285**	**-18,478**
Income tax	27	-22,132	2,044
Net result for the year		**-39,417**	**-16,434**
Net result attributable to owners of the parent		-39,417	-16,434

EUR '000 unless otherwise stated

Consolidated statement of comprehensive income for the year ended 31 December

	Ref.	2010	2009
Net result for the year	13	**-39,417**	**-16,434**
Other comprehensive income:			
Currency translation difference	13	8,410	4,295
Total comprehensive income for the year		**-31,007**	**-12,139**
Comprehensive income attributable to owners of the parent		-31,007	-12,139

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 27.

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 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**
Balance as of 1 January 2010		**20**	**88,968**	**-5,106**	**-144,288**	**-60,406**
Comprehensive income						
Net result for the year		0	0	0	-39,417	-39,417
Other comprehensive income						
Currency translation difference		0	0	4,683	3,727	8,410
Total comprehensive income for 2010		**0**	**0**	**4,683**	**-35,690**	**-31,007**
Transactions with owners						
Group contribution given		0	0	0	-38,996	-38,996
Tax related to group contribution given		0	0	0	5,067	5,067
Total transactions with owners		**0**	**0**	**0**	**-33,929**	**-33,929**
Balance as of 31 December 2010		**20**	**88,968**	**-423**	**-213,907**	**-125,342**

EUR '000 unless otherwise stated

Consolidated cash flow statement

	Note	31 Dec 2010	31 Dec 2009
Cash flow from operating activities			
Operating result		54.008	51.047
Adjustmenst in respect of:			
Amortisation of intangible assets	6,23	1.845	926
Depreciation of property, plant and equipment	7,23	13.106	13.557
Impairments of intangible assets and property, plant & equipment	7,23	5.503	5.052
Adjustment for non-cash movements in pension provision	14	-2.253	-1.395
Addition to/(Release from) other provisions	15	545	-35
Changes in working capital:			
Trade and other receivables	11	-5.605	-7.726
Inventories	10	-1.605	4.978
Current liabilities	17	2.402	1.655
Interest received	26	0	145
Interest paid	26	-13.373	-17.617
Proceeds on derivative financial instruments		-13.242	-9.827
Corporate income tax paid	8	-1.522	353
Net cash generated from operating activities		**39.809**	**41.113**
Cash flow from investing activities			
Investments in intangible assets	6	-1.044	-1.950
Investments in property, plant and equipment	7	-9.173	-8.181
Disposals of property, plant and equipment	7	284	0
Net cash used in investing activities		**-9.933**	**-10.131**
Cash flow from financing activities			
Repayments of interest-bearing borrowings	16	-30.000	-30.000
Financial leases	16	-77	-60
Financial fixed assets	9	1.182	8.536
Net cash generated from/(used in) financing activities		**-28.895**	**-21.524**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		981	9.458
Cash, cash equivalents and bank overdrafts at beginning of year	12	23.899	16.189
Decrease in cash and cash equivalents		981	9.458
Exchange gains/(losses) on cash and bank overdrafts		-307	-1.748
Cash, cash equivalents and bank overdrafts at end of year	12	**24.573**	**23.899**

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 2011. The financial statements are subject to adoption by the Annual General Meeting of Shareholders on 29 March 2011.

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

On May 7th 2010 LEAF Holland B.V. merged into LEAF International B.V. with effective date of January 1st, 2010. Directly after the merger the name of LEAF International B.V. was changed to LEAF Holland B.V.

The activities of LEAF Holland 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 Holland B.V. is LEAF Holding S.A. in Luxembourg, Luxembourg. CVC Capital Partners and Nordic Capital have joint control over LEAF Holding S.A..

The financial statements of LEAF Holland B.V. are included in the consolidated financial statements of its parent company LEAF Finance AB in Stockholm, Sweden and in the consolidated financial statements of the ultimate parent company LEAF Holding S.A. in Luxembourg, Luxembourg.

1.3 Going concern

During 2009 and 2010 the group made a loss of EUR 16.4 million and EUR 39.4 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up to and including 31 December 2010 resulted in a negative net equity at balance sheet date of EUR 125.3 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 147.3 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 2009 and 2010 the company realised a positive cash flow from operating activities of EUR 41.1 million and EUR 39.8 million respectively.

These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 30.0 million for both the years 2009 and 2010. The Group has an unused overdraft facility of 19.9 million at 31 December 2010 (2009: 15.8 million). An additional overdraft facility of maximum EUR 20 million has been granted to become available for the period of 1 April 2011 up to and including 30 September 2012. During 2011 LEAF Holland B.V. has the intention to convert EUR 103 million shareholder loan into equity.

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. 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 Holland 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 new standards and amendments to existing standards which have been published and could be applicable and therefore mandatory for the group's accounting periods beginning on or after 1 January 2010 have been evaluated and will not have impact on the groups basis of consolidation and disclosure requirements.

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 Holland B.V. and its group companies. Group companies are all legal entities over which LEAF Holland 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 Holland B.V. controls another entity. Group companies are fully consolidated from the date on which control is transferred to LEAF Holland B.V.

They are de-consolidated from the date that control ceases. As LEAF Holland B.V. 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 Holland B.V. and the following group companies:

- LEAF België Production N.V., Turnhout, Belgium (100%);
- LEAF Belgium Distribution N.V., Lier, Belgium (100%);
- LEAF Danmark ApS, Brøndby, Denmark (100%) (formerly known as LEAF Danmark Holding Aps);
- LEAF Suomi Oy, Turku, Finland (100%);
- LEAF Leasing Oy (100%);
- Karikkikatu Oy, Turku, Finland (100%);
- LEAF Deutschland GmbH, Bocholt, Germany (100%);
- LEAF Italy S.r.L., Cremona, Italy (100%);
- Saila S.p.A., Silvi Marina, Italy (100%);
- LEAF Norge AS, Høvik, Norway (100%);
- Van Tienen sr. (V.T.S.) Successor B.V. as per 7 May 2010 renamed in LEAF Finance Holland B.V., Oosterhout NB, the Netherlands (100%)
- LEAF Slovakia s.r.o., Bratislava, Slovakia (100%).
- LEAF Sverige AB, Malmö, Sweden (100%);
- LEAF Baltics AS, Tallinn, Estonia (100%); in liquidation;
- OOO LEAF, Sint Petersburg, Russia (100%), in liquidation;
- 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;

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 AB, 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 S.A.. 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 5 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 amortisation 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 represent 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 14). 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 S.A. 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 amortisation 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 amortisation 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 net turnover, other income, cost of sales, selling expenses 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 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 2010, 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 123 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 3.6 million lower/higher.

Commodity price risk

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

At 31 December 2010, if the average gelatine, almonds, chocolate, sugar, syrups and starches price had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 3.4 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 of most used banks varies between AA- and A+ rating) and has several overdraft facilities available.

Bank	**Rating (S&P)**	**Net Balance 2010**	**Net Balance 2009**	**Overdraft Facility 2010**	**Overdraft Facility 2009**
SHB	AA-	-348,641	-385,009	19,860	15,757
RBS	A+	3,628	12,900	0	0
Intesa	A+	1,910	523	0	0
Nordea	AA-	958	545	0	0
Other banks		2,796	1,963	0	0
Total		-339,349	-369,078	19,860	15,757

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 16) 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 is transferred to the group treasury department and are used for group internal and external financing activities.

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.

EUR '000 unless otherwise stated

The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 December 2010			
	Term ≤ 1 year	Term 1 –2 years	Term 2 – 5 years	Term > 5 years
Loans from credit institutions	82,169	50,651	271,679	0
Financial lease liabilities	58	58	19	0
Shareholder loan	0	0	751,135	0
Other debts	7	0	0	38,868
Trade and other payables	100,208	0	0	0
Financial guarantee contracts	1,323	331	241	2,529
Total	183,765	51,040	1,023,074	41,397

	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

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.

EUR '000 unless otherwise stated

4.5 *Fair value estimation*

Equity plan

Management participates in the ultimate parent company LEAF Holding S.A. 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 S.A., 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 assets and liabilities

The fair value of financial assets and 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 2010 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 132 million while a similar increase in the long-term growth rate would increase the value in use with EUR 88 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 27.2 million for seasonal sales of goods to customers in Italy during 2010 (2009: EUR 28.5 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 17%. 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 2009					
Acquisition or production costs	297,079	225,249	7,990	2,990	533,308
Accumulated amortisation and impairments	0	-9,039	-6,195	-561	-15,795
Book value as of 1 January 2009	**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
Amortisation	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 amortisation and impairments	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**
Movements 2010					
Additions	0	0	1,044	0	1,044
Exchange differences	13,350	-164	0	0	13,186
Divestments	0	0	0	0	0
Impairments	0	0	0	0	0
Amortisation	0	0	-925	-920	-1,845
	13,350	**-164**	**119**	**-920**	**12,385**
31 December 2010					
Acquisition or production costs	316,089	226,634	10,674	2,990	556,387
Accumulated amortisation and impairments	0	-9,275	-7,574	-1,955	-18,804
Book value as of 31 December 2010	**316,089**	**217,359**	**3,100**	**1,035**	**537,583**
Estimated economic useful life	**indefinite**	**indefinite**	**3 – 5 years**	**5 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 925 (2009: 453) is included in the cost of sales.

The total bookvalue of software includes an amount for software under construction of EUR 546 (2009: 1,424).

The capitalised distribution contract relates to the distribution of third party products in Italy.
The amortisation of the distribution contract of EUR 920 (2009: 474 EUR) has been charged in selling expenses.

Significant parts of trademarks are pledged as security for borrowings from Svenska Handelsbanken AB (see Note 16).

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 2009 and 2010, 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	1,5%
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	9,2% 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 2009				
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 1 January 2009	**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**
Other movements 2010				
Additions	451	3,179	5,543	9,173
Transfers	375	5,367	-5,742	0
Disposals	-2,266	-157	-8	-2,431
Exchange differences	771	1,276	50	2,097
Impairments	-4,628	-875	0	-5,503
Depreciation	-1,796	-11,310	0	-13,106
	-7,093	**-2,520**	**-157**	**-9,770**
31 December 2010				
Acquisition or production costs	115,295	229,407	2,917	347,619
Accumulated impairments and depreciation	-52,385	-146,682	0	-199.067
Book value as of 31 December 2010	**62,910**	**82,725**	**2,917**	**148,552**
Estimated economic useful life	30 – 50 years	10 – 40 years	N/A	

Significant parts of land and buildings are secured with mortgages for the benefit of Svenska Handelsbanken AB

Depreciation expense of EUR 13,106 (2009: 13,557 EUR) has been charged in cost of sales and G&A costs.

EUR '000 unless otherwise stated

8 Deferred and Current Income Tax

Deferred tax assets and liabilities

	Tax losses carried forward	Unused tax credits	Property Plant & Equipment	Intangibles	Provi-sions (incl pensions)	Other current assets and liabilities	Total
1 January 2009	**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**
Income statement (charge)/credit for the year	1,241	-3,693	1,601	-3,283	798	973	-2,363
Return to accrual	-956	0	89	226	-112	-297	-1,050
Effect of rate changes	-19	0	57	379	-3	1	415
Exchange differences/ Other	706	0	-17	-2,274	186	-9	-1,408
31 December 2010	**17,504**	**1,220**	**-13,190**	**-64,846**	**3,581**	**-446**	**-56,177**

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

	31 Dec 2010	31 Dec 2009
Deferred tax assets	23,413	25,167
Deferred tax liabilities	-79,590	-76,938
	-56,177	-51,771

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 2010	**31 Dec 2009**
Deferred tax asset to be realised after more than 12 months	17,847	21,307
Deferred tax asset to be realised within 12 months	5,566	3,860
	23,413	25,167

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

	31 December 2010		**31 December 2009**	
	Recognised	**Not recognised**	**Recognised**	**Not recognised**
Deductible temporary differences	4,689	0	3,722	0
Unused tax credits	1,220	8,722	4,913	5,029
Tax losses carried forward	17,504	24,357	16,532	22,639
	23,413	33,079	25,167	27,668

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 2010 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 2010	31 Dec 2009
Deferred tax liability to be recovered after more than 12 months	77,947	75,512
Deferred tax liability to be recovered within 12 months	1,643	1,426
	79,590	76,938

Current income tax

	31 Dec 2010	31 Dec 2009
Current income tax receivables	112	307
Current income tax payables	-13,091	-664
	-12,979	-357

9 Non-current financial assets

Other non-current receivables

	31 Dec 2010	31 Dec 2009
Registration fees	762	713
Deposits	77	74
Other receivables related parties	15,568	3,546
Other	27	41
	16,434	4,374

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 29 for an elaboration on the other receivables related parties.

EUR '000 unless otherwise stated

10 Inventories

	31 Dec 2010	31 Dec 2009
Stocks for own use and resale		
Raw materials and consumables	16,813	16,820
Semi-manufactures	5,511	5,521
Finished products and goods for resale	40,808	39,186
	63,132	61,527

As of 31 December 2010 the provision for obsolete stock amounts to EUR 1.7 million (2009: EUR 1.7 million) and the carrying amount of inventories carried at fair value less costs to sell amounts to EUR 64,836 (2009: EUR 63,182)

The carrying amount of inventories sold in 2010 recognised as expense and included in cost of sales amounted to EUR 303,423 (2009: EUR 302,210).

The Group recognised as an expense in 2010 write-down of inventories amounting to EUR 533 (2009: EUR 443). Furthermore, in 2010 the Group reversed EUR 457 (2009: EUR 482) 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 AB (see Note 16).

11 Trade and other receivables

	31 Dec 2010	31 Dec 2009
Trade debtors	108,976	105,717
Less: provision for impairment of trade debtors	-1,165	-1,215
Trade debtors – net	107,811	104,502
Other receivables	6,105	5,764
Receivables from related parties	14,646	13,206
Prepayments and accrued income	5,036	4,326
	133,598	127,798

All receivables are due within one year.

Trade and other receivables with a book value of EUR 107,811 (2009: EUR 104,502) are pledged as security for borrowings from Svenska Handelsbanken AB (see Note 16).

EUR '000 unless otherwise stated

As of 31 December 2010, trade debtors of EUR 1.2 million (2009: EUR 1.2 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 2010 was EUR 1.2 million (2009: EUR 1.2 million). The individually impaired receivables relate to uncollectible receivables.

See note 29 for an elaboration on the receivables related parties.

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

	31 Dec 2010	**31 Dec 2009**
At 1 January	1,215	1,267
Provision for receivables impairment	986	1,197
Receivables written off during the year as uncollectible	-947	-1,015
Unused amounts reversed	-89	-234
At 31 December	1.165	1,215

The ageing of these receivables is as follows:

	31 Dec 2010	**31 Dec 2009**
Up to 60 days	43	75
60 to 90 days	13	164
Over 90 days	1,109	976
	1,165	1,215

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

As of 31 December 2010, trade debtors of EUR 15.5 million (2009: EUR 18.3 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 2010	**31 Dec 2009**
Up to 60 days	11,921	13,160
60 to 90 days	1,367	1,815
Over 90 days	2,207	3,275
	15,495	18,250

EUR '000 unless otherwise stated

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.

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

	31 Dec 2010	31 Dec 2009
Euro	85,696	87,047
US Dollar	417	258
Great British Pound	2,327	1,540
Swedish Krona	12,186	8,788
Norwegian Krone	3,352	2,593
Danish Krone	3,555	3,860
Other currencies	278	416
Other	107,811	104,502

12 Cash and cash equivalents

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

	31 Dec 2010	31 Dec 2009
Cash at bank and in hands	24,573	23,899
	24,573	23,899

All cash and bank balances are available on demand.

13 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2010 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.

EUR '000 unless otherwise stated

The movements in the number of shares are as follows:

	2010	2009
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 2009	**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**
Movements						
Translation of foreign participations	0	0	4,683	3,727	0	8,410
Group contribution given	0	0	0	-38,996	0	-38,996
Tax related to group contribution given	0	0	0	5,067	0	5,067
Appropriation of net result	0	0	0	-16,434	16,434	0
Result current year	0	0	0	0	-39,417	-39,417
Total movements	0	0	4,683	-46,636	-22,983	-64,936
Book value as of 31 December 2010	**20**	**88,968**	**-423**	**-174,490**	**-39,417**	**-125,342**

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 Company has no other legal and statutory reserves as of 31 December 2010 than the translation differences reserve since development costs are expensed as incurred and there are no undistributable reserves for positive results of participations.

14 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. Benefits 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 2010	31 Dec 2009
Obligations for:		
Pension benefits	24,475	23,451
Other long-term employee benefits (for jubilee payments) ('OLEB')	1,334	1,317
	25,809	24,768

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

	2010	2009
1 January	23,451	21,975
Acquisitions / Transfer in	0	78
Attributed pension costs for defined benefit schemes	1,824	3,186
Pension contributions paid	-2,519	-2,597
Translation differences	1,719	809
31 December	24,475	23,451

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

	31 Dec 2010	31 Dec 2009
Present value of pension benefit obligation funded by plan assets	13,294	11,042
Fair value of plan assets	-10,342	-8,783
	2,952	2,259
Present value of pension benefit obligation not funded by plan assets	20,917	21,410
Unrecognised actuarial (gains)/losses	606	-218
Net pension benefit obligation	24,475	23,451

EUR '000 unless otherwise stated

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

	2010	2009
1 January	33,352	34,060
Transfer in	0	200
Pension benefits accrued in the year	1,122	1,401
Interest attributed	1,513	1,440
Actuarial gains due to change in assumptions	-465	-2,158
Actuarial losses due to experience	42	-579
Translation differences	2,049	1,433
Benefits paid	-2,634	-2,459
Curtailments/Settlement/Termination benefits/Other	127	14
31 December	35,106	33,352

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

	2010	2009
1 January	8,783	7,647
Pension contributions paid by employer and employee	2,806	2,762
Benefits paid	-2,641	-2,333
Expected return on plan assets	342	419
Actuarial gains	687	-38
Translation differences	365	381
Curtailments/Settlements/Other	0	-55
31 December	10,342	8,783

Plan assets are comprised as follows:

	2010	2009
	%	%
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 2011 are EUR 1,802 (2010: EUR 1,762).

EUR '000 unless otherwise stated

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

	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
Present value of defined benefit obligation	33,772	32,032	34,060	32,920	32,650
Fair value of plan assets	-10,342	-8,783	-7,647	-8,092	-4,474
Deficit	23,430	23,249	26,413	24,828	28,176
Experience adjustments on plan liabilities	-51	-2,826	4,051	3,765	1,896
Experience adjustments on plan assets	687	-38	-423	-3,036	-239

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

	2010	2009
Pension benefits accrued in the year	912	1,146
Interest attributed	1,449	1,374
Expected return on plan assets	-342	-419
Additional social securities	18	419
Recognised actuarial gains attributed	-400	604
Gains from curtailments or discontinuation of scheme	-40	1
Termination benefits	227	61
	1,824	3,186

Total pension costs in the income statement		
Pension costs of defined benefit scheme	1,824	3,186
Pension contributions to defined contribution scheme	6,167	4,589
Total pension costs	7,991	7,775

The total pension costs amounting to EUR 7,991 (2009: EUR 7,775) are included in the general and administrative expenses, costs of sales, selling expenses and financial income and expenses in the income statement.

EUR '000 unless otherwise stated

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

	2010	2009
	%	%
Discount rate	4.64	4.56
Expected return on plan assets	4.90	5.04
Expected salary increases	2.34	2.23
Expected indexation of pensions	1.50	1.44
Inflation	2.07	2.08

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 1,029 in 2010 (2009: EUR 381).
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.

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

	2010	2009
1 January	1,317	1,206
Attributed OLEB costs for defined benefit schemes	124	238
OLEB contributions paid	-107	-127
31 December	1,334	1,317

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

	2010	2009
OLEB benefits accrued in the year	91	90
Interest attributed	64	67
Recognised actuarial (gains)/losses attributed	-31	89
Gains from curtailments or discontinuation of scheme	0	-8
OLEB costs/(benefits) of defined benefit scheme	124	238

EUR '000 unless otherwise stated

The present value of the obligation of the Swedish pension funds is computed by discounting estimated future cash flows using interest rate applying to high quality corporate bonds. In 2010 the Swedish security stock mortgage bonds were applied for discounting. In 2009 the Swedish government bond was applied for discounting. The impact on the balance sheet liability is EUR 2.2 million (2009: EUR 1.7 million) and on income statement in 2010 EUR 350.

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

	2010	**2009**
	%	%
Discount rate	4.75	5.00
Expected salary increases	2.47	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 share capital of LEAF Holding S.A. (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 S.A. may decide to request the resale and retransfer of part or all of the share capital acquired, to the parties designated by the Board of Directors of LEAF Holding S.A.. In the event of an exit the Management is obliged to cooperate with the transfer or sale of the share capital.

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 share capital is recognised as an expense at the date of grant. Given that the employees have paid the fair market value of the share capital, the fair value of the services received in exchange of the share capital is nil.

EUR '000 unless otherwise stated

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

Arrangement	Non-voting shares awarded to key management in 2009 and 2010 respectively	
	2010	**2009**
Nature of the arrangement	Award of share capital	Award of share capital
Date of grant	March, July, November and December 2010	May 2009 and December 2009
Number of instruments awarded	65,302 shares	81,768 shares

The transactions can be summarised as follows:

	2010	**2009**
Outstanding shares at 1 January:	319,608	237,840
Awarded during the year:	73,302	96,432
Transferred during the year:	-8,000	-14,664
Outstanding shares at 31 December:	384,910	319,608

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

Expense	**2010**	**2009**
equity settled arrangements:	0	0
Management participation plan	0	0
other expenses	0	0
Total expense	0	0

EUR '000 unless otherwise stated

15 Provisions

Movements in provisions are specified as follows:

	Reorganisation	Sales returns	Other	Total
1 January 2009	1,508	5,840	2,440	9,788
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
1 January 2010	844	6,243	2,101	9,188
Additions	5,947	5,911	1,680	13,538
Utilisations	-3,425	-6,243	-789	-10,457
Releases	-338	0	-90	-428
Addition/release discount	128	0	27	155
Exchange differences	27	0	0	27
31 December 2010	3,183	5,911	2,929	12,023
Analysis of total provisions:				
Non-current				3,312
Current				8,711
Total				12,023

The reorganisation provision is mainly related to restructuring expenses in Leaf Italia S.r.L. and restructuring of the supply chain of Leaf Denmark aps.

A provision for an amount of EUR 5,911 (2009: EUR 6,243) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2010 is expected to be utilised during the first half year of 2011.

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

EUR '000 unless otherwise stated

16 Borrowings

	31 December 2009			
	Remaining term ≤ 1 year	Remaining term 1 – 5 years	Remaining term ≥ 5 years	Total Remaining term > 1 year
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
Debts related parties	17	0	905	905
	66,296	157,485	547,317	704,802

	31 December 2010			
	Remaining term ≤ 1 year	Remaining term 1 – 5 years	Remaining term ≥ 5 years	Total Remaining term > 1 year
Loans from credit institutions	71,514	289,341	0	289,341
Financial lease liabilities	48	72	0	72
Shareholder loan	0	432,685	0	432,685
Debts related parties	7	0	38,871	38,871
	71,569	722,098	38,871	760,969

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

See note 29 for an elaboration on the debts related parties.

EUR '000 unless otherwise stated

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.

	31 December 2010			
	Remaining term ≤ 1 year	Remaining term 1 –2 years	Remaining term 2 – 5 years	Remaining term > 5 years
Loans from credit institutions	82,169	50,651	271,679	0
Financial lease liabilities	58	58	19	0
Shareholder loan	0	0	751,135	0
	82,227	50,709	1,022,833	0

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

	Fair value		Carrying amount	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Borrowings from credit institutions	289,341	322,580	289,341	322,580
Financial lease liabilities	71	2,189	72	2,401
Shareholder loan	432,685	378,916	432,685	378,916
	722,097	703,685	722,098	703,897

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 2010	31 Dec 2009
6 months or less	392,788	392,976
6-12 months	0	905
1-5 years	0	0
Over 5 years	0	0
	392,788	393,881

EUR '000 unless otherwise stated

Amounts owed to lease institutions

The financial lease liabilities are specified as follows:

	Fair value		Carrying amount	
	31 Dec 2010	**31 Dec 2009**	**31 Dec 2010**	**31 Dec 2009**
Liabilities < 1 year	58	385	58	390
Liabilities 1-5 year	76	2,189	77	2,401
Liabilities > 5 years	0	0	0	0
	134	2,574	135	2,791
Less: future interest	15	463	15	520
	119	2,111	120	2,271

The Group only leases one AS400 server in Italy and has, substantially all, the risks and rewards incidental to ownership of the asset. As at 31 December 2010 the financial lease contract of the Warehouse in Slagelse (EUR 2.3 million) was changed in an operational lease contract .

Currency

All loans are denominated in euros, except for a loan in Swedish krona of SEK 363 million (EUR 40.4 million) (2009: SEK 363 million (EUR 35 million)).

Loans from credit institutions

In January 2005 Svenska Handelsbanken AB 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 AB issued additional credit facilities of respectively EUR 10 and EUR 5 million with the same maturity date as the original credit facility.

The current credit facility 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 2010 19.9 million of this facility was unused (2009: 15.8 million)
- An additional overdraft facility of maximum EUR 20 million which bears interest at Svenska Handelsbanken Base rate + 1.5%. for the period of 1 April 2011 up to and including 30 September 2012.

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

EUR '000 unless otherwise stated

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares of all group companies except for LEAF Baltics, OOO LEAF, Leaf United Kingdom Ltd., 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 Holland 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 AB

All group companies are jointly and severally liable towards Svenska Handelsbanken AB

Effective interest rates

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

- Loan from credit institutions: 3.34%.
- Shareholder loan: 14%.

17 Trade and other payables

	31 Dec 2010	31 Dec 2009
Trade payables	47,775	40,915
Other taxes and social securities	9,478	8,309
Pension liabilities	93	321
Other liabilities	4,116	5,898
Accruals and deferred income	48,226	48,899
	109,688	104,342

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.

18 Commitments and contingencies not included in the balance sheet

Liability undertaking

LEAF Holland B.V. issued a parent company guarantee pursuant to article 403, Book 2 of the Civil Code in respect of LEAF Finance Holland B.V..

EUR '000 unless otherwise stated

Fiscal unity

LEAF Holland B.V. forms a fiscal unity with LEAF Finance Holland B.V. for corporate income tax purposes. Under the Tax Collection Act, the company is jointly and severally liable for taxation payable by the fiscal unity. The tax expense recognised in the financial statements of LEAF Finance Holland B.V. is based on its profit for financial reporting purposes. LEAF Holland B.V. settles its intercompany balances with LEAF Finance Holland B.V. based on the subsidiary profit for financial reporting purposes.

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.

Commitments and guarantees

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

	31 Dec 2010	**31 Dec 2009**
Guarantee	4,425	4,459
Investments commitments	1,943	1,477
Operating lease commitments < 1 year	5,772	5,076
Operating lease commitments 1-5 year	8,346	7,361
Operating lease commitments > 5 year	10	0
	20,496	18,373

Guarantees

The guarantees relate to:	**31 Dec 2010**	**31 Dec 2009**
Real estate rental	217	123
Customs & Export	2,730	2,812
Letters of credit	1,060	966
Bank guarantees	418	558
	4,425	4,459

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.

EUR '000 unless otherwise stated

19 Net turnover

	2010	2009
The Netherlands	77,329	79,628
Other EU countries	404,848	400,074
Other	44,683	37,037
	526,860	516,739

Net turnover is generated in relation to trade activities only.

20 Other income

	2010	2009
Gains on disposal of property, plant and equipment	134	0
Compensation fees in relation to discontinued distributorships	1,500	0
	1,634	0

21 Expenses by nature

	2010	2009
Raw materials and consumables used including change in inventory of finished goods and work in progress	189,031	196,973
Employee benefits (see Note 22)	128,429	122,416
Depreciation, amortisation and impairment charges (Note 23)	20,454	19,535
Transportation expenses	14,323	14,367
Operating lease payments	7,182	7,003
Advertising and promotion	45,032	41,359
Selling and marketing	7,980	10,587
Other operating expenses	62,055	53,452
Total cost of sales, selling, general and administrative expenses and other expenses	474,486	465,692

EUR '000 unless otherwise stated

22 Employee benefits

	2010	2009
Wages and salaries, including restructuring costs and other termination benefits.	96,416	91,995
Pension costs – defined benefit plans	375	1,745
Pension costs – defined contribution plans	6,039	4,589
Other labour costs	4,886	5,141
Other social security costs	20,713	18,946
	128,429	122,416

Wages, salaries and social security costs are recognised in the cost of sales, selling expenses and general and administrative expenses, depending on the activities of the employees concerned.

23 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:

	2010	2009
Depreciation & Amortisation		
Amortisation of intangible assets (note 6)	1,845	926
Depreciation of property, plant and equipment (note 7)	13,106	13,557
	14,951	14,483

Other changes in value

	2010	2009
Impairments:		
Intangible assets (note 6)	0	311
Property, plant and equipment (note 7)	5,503	4,741
	5,503	5,052

EUR '000 unless otherwise stated

24 Non-recurring items

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

	2010	2009
Restructuring and reorganisation related charges	13,778	8,851
Impairments	5,503	5,052
Consultancy and legal cost	1,495	802
Compensation fees in relation to discontinued distributorships	-1,500	0
Confectionary Tax	-2,175	0
	17,101	14,705

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

25 Other notes to the income statement

Operating lease

During the financial year the Group recognised operating lease payments to the amount of EUR 7,179 (2009: EUR 7,003) in general and administration expenses the income statement.

Government grants

The Group did not recognised government grants in both 2009 and 2010.

The realised government grant is mainly due to the grants received in Slovakia. During the year 2009 and 2010 no amounts has been recognised for the grant related to the creation of working places in Slovakia. 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 8.

Research and development expenses

The cost charged to the 2010 result relating to research and development amounted to EUR 4.0 million (2009: EUR 3.7 million).

EUR '000 unless otherwise stated

26 Finance income and costs

	2010	2009
Finance income		
Interest income third parties	0	145
Interest income related parties	570	103
Total finance income	**570**	**248**
Finance expense		
Exchange differences borrowings and cash and cash equivalents in foreign currencies, net	-776	-5,963
Interest expenses third parties SHB borrowings	-11,954	-11,764
Interest expenses third parties pensions	-1,513	-1,451
Interest expenses third parties leases	-134	-170
Other interest expenses third parties	-3,117	-1,313
Interest expenses related parties	-54,369	-49,112
Total finance expenses	-71,863	-69,773
Total finance expenses	**-71,293**	**-69,525**

27 Income tax

	2010	2009
Current income tax	13,862	750
Deferred income tax	8,270	-2,794
Tax expense / (income)	22,132	-2,044

EUR '000 unless otherwise stated

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:

	2010	2009
Taxable (Profit)/Loss from ordinary activities	17,285	18,478
Tax calculated at applicable tax rate for the holding company	-4,408	-4,712
International rate differences	4,626	51
State and local taxes	1,454	735
Result investments/divestments non-taxable	-5,768	-800
Income not subject to tax	24	149
Expenses not deductible for tax purposes	2,434	1,218
Adjustments recognised in the period for tax of prior periods	1,881	226
Tax losses contributed to related parties	0	-4,204
Effect of rate changes	-162	0
Tax losses for which no deferred income tax asset was recognised	9,459	5,124
Other	12,592	169
Tax (benefit)/expense	22,132	-2,044
Effective tax rate	55.5%	-11.1%
Applicable weighted average tax rate	29.0%	25.8%

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 2009 and 2010.

The effective tax rate differs from the applicable tax rate mainly due to the tax losses which have not been recognised as a deferred tax asset, fiscally non-deductible expenses 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.

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. As from 2010 as the tax impact of the contribution has been recognised directly through equity according to IAS 12.58.

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.

EUR '000 unless otherwise stated

28 Employees

During 2010 the average of 2,275 employees (2009: 2,309) calculated on a full-time-equivalent basis employed by entities, included in the consolidation can be specified as follows:

	2010	2009
Employed:		
In The Netherlands	350	353
Outside The Netherlands	1,925	1,956
Total	2,275	2,309
Production	1,428	1,469
Marketing & Sales	578	575
General/ management	269	265
Total	2,275	2,309

29 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 Holland B.V.), LEAF Holding S.A. (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 S.A.) are considered to be related parties. As of 31 December 2009 the Group has receivables on and liabilities to LEAF Finance AB 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 2009 and 2010.

Key management compensation

	2010	2009
Salaries and other short-term employee benefits	3,816	2,845
Termination benefits	15	2,385
Post-employment benefits	666	458
Total	4,497	5,688

EUR '000 unless otherwise stated

Year-end balances arising from related parties transactions

	2010	2009
Receivables/(Payables) from related parties:		
LEAF Holding S.A. (ultimate parent company)	4,740	4,544
LEAF Finance AB (parent company)	-13,401	11,303
Total	-8,661	15,847

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 settlements with LEAF Finance AB.

Loans from related parties

	2010	2009
LEAF Finance AB (parent company):		
1 January	378,916	342,265
Converted into equity	0	-11,858
Interest expense	53,769	48,509
31 December	432,685	378,916

	2010	2009
LEAF Holding S.A.:		
1 January	0	5,599
Converted into equity	0	-6,206
Interest expense	0	607
31 December	0	0

LEAF Finance AB has facilitated LEAF Holland 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 11.9 million has been contributed to equity.

In addition, LEAF Holding S.A. has facilitated LEAF Holland 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

(before proposed appropriation of result)

	Ref.	31 December 2010		31 December 2009	
Assets					
Non-current assets					
Intangible assets	31	187,515		115,299	
Property, plant and equipment	32	28,970		0	
Financial assets	33	504,073		469,980	
			720,558		585,279
Current assets					
Inventories	34	10,145		0	
Receivables	35	32,226		37,113	
Cash and cash equivalents	36	16,356		18,874	
			58,727		55,987
TOTAL ASSETS			**779,285**		**641,266**
Shareholders' equity and liabilities					
Shareholders' equity	37				
Shareholders' equity		20		20	
Share premium		88,968		88,968	
Translation difference reserve		-423		-5,106	
Accumulated deficit		-174,490		-127,854	
Result for the year		-39,417		-16,434	
			-125,342		-60,406
Non-current liabilities					
Provisions and deferred tax liabilities	38	91,537		36,527	
Borrowings	39	708,509		569,604	
			800,046		606,131
Current liabilities	40		104,581		95,541
TOTAL EQUITY AND LIABILITIES			**779,285**		**641,266**

EUR '000 unless otherwise stated

Income statement for the year ended 31 December

	2010	2009
Result from group companies after taxation	-26,053	18,266
Other income and expenses after taxation	-13,364	-34,700
Result after taxation	**-39,417**	**-16,434**

Notes to the balance sheet and income statement

30 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 Holland 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 Holland 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 Holland B.V. 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

On May 7th 2010 LEAF Holland B.V. merged into LEAF International B.V. with effective date January 1st 2010. Directly after the merger the name of LEAF International B.V. was changed to LEAF Holland B.V.

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 Holland 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 2009 and 2010 the group made a loss of EUR 16.4 million and EUR 39.4 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up to and including 31 December 2010 resulted in a negative net equity at balance sheet date of EUR 125.3 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 147.3 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 2009 and 2010 the company realised a positive cash flow from operating activities of EUR 41.1 million and EUR 39.8 million respectively.

These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 30.0 million for both the years 2009 and 2010. The Group has an unused overdraft facility of 19.9 million at 31 December 2010 (2009: 15.8 million). An additional overdraft facility of maximum EUR 20 million has been granted to become available for the period of 1 April 2011 up to and including 30 September 2012. During 2011 LEAF Holland B.V. has the intention to convert EUR 103 million shareholder loan into equity.

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. 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.

31 Intangible assets

	Goodwill	Trademarks	Software	Total
Book value as of 1 January 2009	**113,309**	**0**	**957**	**114,266**
Movements				
Additions	0	0	1,434	1,434
Amortisation	0	0	-90	-90
Impairments	0	0	-311	-311
	0	0	1,033	1,033
31 December 2009				
Acquisition or production costs	113,309	0	2,351	115,660
Accumulated amortisation and impairments	0	0	-361	-361
Book value as of 31 December 2009	**113,309**	**0**	**1,990**	**114,266**
Movements				
Additions via merger	0	72,000	47	72,047
Additions	0	0	739	739
Amortisation	0	0	-570	-570
	0	72,000	216	72,216
31 December 2010				
Acquisition or production costs	113,309	72,000	3,881	189,190
Accumulated amortisation and impairments	0	0	-1,675	-1,675
Book value as of 31 December 2010	**113,309**	**72,000**	**2,206**	**187,515**
Estimated economic useful life	Indefinite	Indefinite	3 – 5 years	

The total bookvalue of software includes an amount for software under construction of EUR 358 (2009: EUR 116).

EUR '000 unless otherwise stated

32 Property, plant and equipment

	Land and buildings	Machinery and equipment	Assets under construction	Total
31 December 2009				
Acquisition or production costs	0	0	0	0
Accumulated impairments and depreciation	0	0	0	0
Book value as of 31 December 2009	**0**	**0**	**0**	**0**
Other movements 2010				
Additions via merger	8,759	21,294	397	30,450
Additions	0	0	1,538	1,538
Transfers	30	1,497	-1,527	0
Depreciation	-210	-2,808	0	-3,018
	8,579	**19,983**	**408**	**28,970**
31 December 2010				
Acquisition or production costs	27,755	69,746	408	97,909
Accumulated impairments and depreciation	-19,176	-49,763	0	-68,939
Book value as of 31 December 2010	**8,579**	**19,983**	**408**	**28,970**
Estimated economic useful life	30 – 50 years	10 – 40 years	N/A	

Significant parts of land and buildings are secured with mortgages for the benefit of Svenska Handelsbanken AB

Depreciation expense of EUR 3,018 (2009: 0 EUR) has been charged in cost of sales and G&A costs.

EUR '000 unless otherwise stated

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 2009	**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
Result participations	8,636	0	0	0	0	8,636
Book value as of 31 December 2009	**180,450**	**283,440**	**2,544**	**3,546**	**0**	**469,980**
Movements						
Addition via merger	-112,822	63,504	0	0	228	-49,090
Additions/releases	-503	127,024	-1,319	12,022	17	137,241
Capital dissolvement	-11,592	0	0	0	0	-11,592
Transfer to/from provisions	-36,690	0	0	0	0	-36,690
Result participations	-5,776	0	0	0	0	-5,776
Book value as of 31 December 2010	**13,067**	**473,968**	**1,225**	**15,568**	**245**	**504,073**

List of participations

Participations directly held by LEAF Holland B.V. are:

	Share in equity %
– Van Tienen sr. (V.T.S.) Successor B.V. as per 7 May 2010 renamed in LEAF Finance Holland B.V., Oosterhout NB, the Netherlands (100%)	100
– LEAF België Production N.V., Turnhout, Belgium	100
– LEAF Belgium Distribution N.V., Lier, Belgium	100
– LEAF Baltics AS, Tallinn, Estonia, in liquidation	100
– LEAF Suomi Oy, Turku, Finland	100
– 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.

EUR '000 unless otherwise stated

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

	31 December 2010		**31 December 2009**	
	Recognised	**Not recognised**	**Recognised**	**Not recognised**
Deductible temporary differences	225	0	234	0
Tax losses carried forward	1,000	12,593	2,310	10,955
	1,225	12,593	2,544	10,955

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 Inventories

	31 Dec 2010	**31 Dec 2009**
Stocks for own use and resale		
Raw materials and consumables	2,698	0
Semi-manufactures	1,634	0
Finished products and goods for resale	5,813	0
	10,145	0

As of 31 December 2010 the provision for obsolete stock amounts to EUR 0.4 million (2009: EUR 0 million) and the carrying amount of inventories carried at fair value less costs to sell amounts to EUR 10,524 (2009: EUR 0)

EUR '000 unless otherwise stated

35 Receivables

	31 Dec 2010	31 Dec 2009
Amounts due from group companies	11,534	23,303
Amounts due from shareholders, holders of bearer shares and related parties	12,955	12,430
Trade receivables	6,105	0
Other receivables	604	0
Prepayments and accrued income	1,028	1,380
	32,226	37,113

36 Cash and cash equivalents

	31 Dec 2010	31 Dec 2009
Cash at bank and in hands	16,356	18,874

All cash and bank balances are available on demand.

37 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2010 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 are as follows:

	2010	2009
1 January	20,000	20,000
Issue of ordinary shares	0	0
31 December	20,000	20,000

EUR '000 unless otherwise stated

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. 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 2009	**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**
Movements						
Translation of foreign participations	0	0	4,683	3,727	0	8,410
Group contribution given	0	0	0	-38,996	0	-38,996
Tax related to group contribution given	0	0	0	5,067	0	5,067
Appropriation of net result	0	0	0	-16,434	16,434	0
Result current year	0	0	0	0	-39,417	-39,417
Total movements	0	0	4,683	-46,636	-22,983	-64,936
Book value as of 31 December 2010	**20**	**88,968**	**-423**	**-174,490**	**-39,417**	**-125,342**

The Company has no other legal and statutory reserves as of 31 December 2010 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

38 Provisions and deferred tax liabilities

	31 Dec 2010	31 Dec 2009
Deferred tax liabilities	21,920	22,523
Other provisions	69,617	14,004
	91,537	36,527

Movement schedule deferred taxes and provisions	**Deferred tax**	**Other Provisions**	**Negative participations**	**Total**
1 January 2009	22,312	1,247	25,934	49,493
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
Addition via merger	0	948	0	948
Additions	122	559	0	681
Utilisations	-725	-920	0	-1,645
Result participations	0	0	20,277	20,277
Transfer to/from Financial Assets	0	0	-36,690	-36,690
Group contributions	0	0	33,929	33,929
Capital contributions	0	0	-18,000	-18,000
Translation differences	0	0	-8,413	-8,413
Dividends paid out	0	0	64,442	64,442
Releases	0	-15	-504	-519
31 December 2010	21,920	1,660	67,957	91,537

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, Leaf Finance Holland B.V., Leaf Belgium Production N.V. and Leaf Baltics AS.

EUR '000 unless otherwise stated

39 Borrowings

				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

				31 Dec 2010
	Term ≤ 1 year	**Term 1 – 5 years**	**Term ≥ 5 years**	**Total term > 1 year**
Loans from related parties	0	432,685	0	432,685
Intercompany loans	0	96,464	0	96,464
Loans from credit institutions SHB	20,140	179,360	0	179,360
	20,140	708,509	0	708,509

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares of all group companies except for LEAF Baltics, OOO LEAF, LEAF United Kingdom Ltd., 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: 3.34%.
- Shareholder loan: 14%.

EUR '000 unless otherwise stated

40 Current liabilities

	31 Dec 2010	31 Dec 2009
Trade creditors	6,663	773
Group companies	60,921	66,040
Related parties	7	0
Loans from credit institutions	20,140	24,243
Other liabilities	16,850	4,485
	104,581	95,541

Other liabilities	31 Dec 2010	31 Dec 2009
Interest third parties	2,959	2,592
Other accruals	13,891	1,893
	16,850	4,485

41 Remuneration of members of the Board of Management

The remuneration of members of the Board of Management amounts to EUR 4,497 (2009: 5,688) 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.

42 Employees

During 2010 the average number of employees employed by LEAF Holland B.V. was 371 (2009: 19).

43 Auditor's fees

The auditor's fees can be summarised as follows:

Services	31 Dec 2010	31 Dec 2009
Audit services	395	431
Audit related services	10	25
Tax related services	1	3
Other	0	0
	406	459

EUR '000 unless otherwise stated

44 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:

- LEAF Finance Holland B.V., Oosterhout NB, the Netherlands (100%);

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

- LEAF Finance Holland B.V., Oosterhout NB, the Netherlands (100%);

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

Amsterdam, 23 March 2011,

Board of Directors,

B. Baron
J. Brussé
E.F.C. Frenay
E.K.M. Kist
D.D. Maras

LEAF Holland 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 2010 result is proposed to be allocated to the accumulated deficit.

Auditors' report

pwc

Independent auditor's report

To: the Board of Directors and Shareholders of Leaf Holland B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Leaf Holland B.V., Amsterdam as set out on pages 4 to 76. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the statements of comprehensive income, changes in equity and 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 2010, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Directors' responsibility

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 Holland B.V. as at 31 December 2010, 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 Dutch 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 Holland B.V. as at 31 December 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 23 March 2011
PricewaterhouseCoopers Accountants N.V.

P.C. Dams RA