Summary of Accounting Policies

Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on December 13, 1994, under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2014, Barry Callebaut's market capitalization based on issued shares was CHF 6,175 million (August 31, 2013: CHF 4,805 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2013: 50.11%).

Barry Callebaut AG and its subsidiaries ("The Group") is one of the world's leading cocoa and chocolate companies, serving the entire food industry, from food manufacturers to artisans and professional users of chocolate such as chocolatiers, pastry chefs or bakers, and products for vending machines. The Group offers a broad and expanding range of chocolate and other cocoa-based products with numerous recipes. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing. The Group is fully vertically integrated along the entire value chain: from sourcing of raw materials to the production of the finest chocolate products.

The principal brands under which the Group operates are Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer and Van Houten for chocolate products; Barry Callebaut, Bensdorp, Delfi, Van Houten and Chadler for cocoa powder and Bensdorp, Van Houten, Caprimo, Le Royal and Ögonblink for vending mixes.

The principal countries, in which the Group operates, include Belgium, Brazil, Cameroon, Canada, China, Côte d'Ivoire, France, Germany, Ghana, Indonesia, Italy, Japan, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the USA.

Basis of presentation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

For consolidation purposes, Barry Callebaut AG and its subsidiaries prepare financial statements using the historical cost basis as disclosed in the accounting policies below, except for the measurement at fair value of derivative financial instruments and for defined benefit obligation that is accounted for according to the projected unit credit method.

Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out below to all periods presented in these Consolidated Financial Statements.

The Group has adopted the following amendments to standards, including any consequential amendments to other standards, with a date of initial application of September 1, 2013:

Amendments to IAS 19 – Employee Benefits (amended 2011)

The revised IAS 19 standard has eliminated the corridor method that was applied by the Group before fiscal year 2013/14. Based on the amendments, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets are recognized in the financial statements immediately in the period they occur. Any movements in actuarial gains and losses are recognized through other comprehensive income.

The amendments have also replaced the expected return on plan assets and the interest cost on the defined benefit obligation with a single net interest component that is calculated by applying the discount rate to the net defined benefit liability (or asset).

It was applied for the first time retrospectively in compliance with the transitional provisions and affected the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet and the Consolidated Cash Flow Statement. The retrospective application resulted in the restatements summarized in the tables below.

Consolidated Income statement

for the fiscal year ended August 31, 2013	as originally published	Restatement IAS 19	restated
in thousands of CHF			
Cost of goods sold	(4,155,638)	222	(4,155,416)
Marketing and sales expenses	(106,918)	71	(106,847)
General and administration expenses	(284,528)	1,392	(283,136)
Other expenses	(12,168)	1,529	(10,639)
Operating profit (EBIT)	339,640	3,214	342,854
Finance costs	(89,583)	(3,008)	(92,591)
Profit before income taxes	264,758	206	264,964
Net profit from continuing operations	229,250	206	229,456
Net profit for the year	222,559	206	222,765
Basic earnings per share from continuing operations (CHF/share)	43.94	0.04	43.98

Consolidated Statement of Comprehensive Income

for the fiscal year ended August 31, 2013	as originally published	Restatement IAS 19	restated
in thousands of CHF			
Net profit for the year	222,559	206	222,765
Remeasurement of defined benefit plans	–	(12,525)	(12,525)
Tax effect on remeasurement of defined benefit plans	–	683	683
Items that will never be reclassified to the income statement	–	(11,842)	(11,842)
Other comprehensive income / (loss) for the year	(11,096)	(11,842)	(22,938)
Total comprehensive income for the year	211,463	(11,636)	199,827
of which attributable to the shareholders of the parent company	212,222	(11,636)	200,586

Consolidated Balance Sheet

as of September 1, 2012	as originally published	Restatement IAS 19	restated
in thousands of CHF			
Deferred tax assets	87,093	(50)	87,043
Other non-current assets	6,864	(170)	6,694
Total non-current assets	1,424,813	(220)	1,424,593
Total assets	3,576,628	(220)	3,576,408
Employee benefit obligations	47,526	68,864	116,390
Deferred tax liabilities	53,976	(911)	53,065
Total non-current liabilities	967,561	67,953	1,035,514
Total liabilities	2,214,879	67,953	2,282,832
Retained earnings and other reserves	1,231,973	(68,173)	1,163,800
Total equity attributable to the shareholders of the parent company	1,357,087	(68,173)	1,288,914
Total equity	1,361,749	(68,173)	1,293,576
Total liabilities and equity	3,576,628	(220)	3,576,408

Consolidated Balance Sheet

as of August 31, 2013	as originally published	Restatement IAS 19	restated
in thousands of CHF			
Deferred tax assets	88,245	(54)	88,191
Other non-current assets	10,248	(142)	10,106
Total non-current assets	2,072,106	(196)	2,071,910
Total assets	4,527,108	(196)	4,526,912
Employee benefit obligations	51,351	81,204	132,555
Deferred tax liabilities	60,574	(1,591)	58,983
Total non-current liabilities	1,489,787	79,613	1,569,400
Total liabilities	2,761,034	79,613	2,840,647
Retained earnings and other reserves	1,660,238	(79,809)	1,580,429
Total equity attributable to the shareholders of the parent company	1,762,331	(79,809)	1,682,522
Total equity	1,766,074	(79,809)	1,686,265
Total liabilities and equity	4,527,108	(196)	4,526,912

Consolidated Cash Flow Statement

for the fiscal year ended August 31, 2013	as originally published	Restatement IAS 19	restated
in thousands of CHF			
Profit before income taxes from continuing operations	264,758	206	264,964
Non-cash items of income and expenses	186,348	(206)	186,142
Operating cash flow before working capital changes	451,106	–	451,106
Net cash flow from operating activities	293,071	–	293,071
Net cash flow from investing activities	(1,071,303)	–	(1,071,303)
Net cash flow from financing activities	810,093	–	810,093
Net increase (decrease) in cash and cash equivalents	31,696	–	31,696

The amendments to IAS 19 issued in November 2013 did not have any impact on the Group's Financial Statements.

IFRS 10 – Consolidated Financial Statements (effective for periods beginning on or after January 1, 2013)
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are in the scope of SIC-12. The Group is deemed to control a company when it is exposed, or has rights, to variable returns from its involvement with that company and has the ability to affect those returns through its power over the company. The consolidation procedures are carried forward from IAS 27. It was applied for the first time retrospectively in compliance with the transitional provisions and did not have any impact on the Group's Financial Statements.

IFRS 11 – Joint Agreements (effective for periods beginning on or after January 1, 2013)
This standard establishes principles for financial reporting by parties to a joint arrangement. This standard principally addresses two aspects: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS 11 improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. It was applied for the first time retrospectively in compliance with the transitional provisions and did not have any impact on the Group's Financial Statements.

IFRS 12 – Disclosure of Interests in Other Entities (effective for periods beginning on or after January 1, 2013)
This standard addresses the need for improved disclosure of a reporting entity's interests in other entities when the reporting entity has a special relationship with those other entities. The standard integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS as it was observed that the disclosure requirements of IAS 27 – Consolidated and Separate Financial Statements, IAS 28 – Investments in Associates and IAS 31 – Interests in Joint Ventures overlapped in many areas. The new standard resulted in certain extended disclosures in the Group's Consolidated Financial Statements.

IFRS 13 – Fair Value Measurement (effective for periods beginning on or after January 1, 2013)
This standard defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. It was applied for the first time retrospectively in compliance with the transitional provisions and did not have a material impact on the Group's Financial Statements.

Use of judgment and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have most significant effects on the amounts recognized in the Consolidated Financial Statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending August 31, 2014, is included in the following notes:

Note 1	Acquisitions: fair value measurement and contingent assets
Note 18	Intangible assets – Allocation of goodwill to CGU's/Impairment test: key assumptions underlying recoverable amounts
Note 19	Deferred tax assets and liabilities – Recognition of deferred tax assets: availability of future taxable profits against which tax loss carry-forwards can be utilized
Note 24	Employee benefit obligations – Measurement of defined benefit obligations: key actuarial assumptions
Note 28	Contingent liabilities – uncertainties

Scope of consolidation/subsidiaries

The Consolidated Financial Statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interests are shown as a component of equity in the balance sheet and the share of the net profit attributable to non-controlling interest is shown as a component of the net profit for the year in the Consolidated Income Statement. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the acquisition method. Subsidiaries disposed of are included up to the effective date of disposal.

All intragroup balances and unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Transactions with non-controlling interests

The Group applies the policy of treating transactions with non-controlling interest equal to transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interest are also recorded in equity.

Interests in equity-accounted investees

Interests in equity-accounted investees comprise investments in associates and joint ventures. Associates are those companies in which the Group has significant influence but not control. This is normally presumed when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity-accounted investees from the date that significant influence or joint control commences until the date significant influence or joint control ceases.

Foreign currency transactions

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective functional currencies at the exchange rate prevailing at the year-end date. Any resulting exchange gains and losses are taken to the income statement. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as finance income and finance cost.

Foreign currency translation

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of financial statements using the above method are recorded as cumulative translation adjustments in other comprehensive income. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal.

Major foreign exchange rates

	2013/14		2012/13	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.2054	1.2226	1.2322	1.2235
GBP	1.5165	1.4850	1.4426	1.4620
USD	0.9148	0.8984	0.9316	0.9352

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, checks, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. Bank overdrafts that are repayable on demand, forming an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

Trade receivables and other current assets

Trade receivables are stated at amortized cost, less anticipated impairment losses. Impairment allowances for receivables represent the Group's estimates of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are assessed on an individual basis, taking into account the ageing of customers' balances, specific credit circumstances and the Group's historical default experience. If the Group is satisfied that no recovery of the amount owing is possible, the receivable is written off and the allowance related to it is reversed.

The Group maintains an asset-backed securitization program for trade receivables, transferring the contractual rights to the cash flows of third-party trade receivables at their nominal value minus a discount. These receivables are derecognized from the balance sheet. The net amount reported under "Other current assets" or "Other current liabilities" is the amount of the discount minus the receivables already collected at the balance sheet date but not yet remitted to the asset-purchasing company (see note 12).

Derivative financial instruments and hedging activities

The Group's purchasing and sourcing center frequently buys and sells cocoa beans for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. The practice of net cash settlement of cocoa purchase and sale contracts results in these contracts qualifying as derivative financial instruments.

The Group is exposed to the cocoa price risk resulting from its cocoa bean stocks and semi-finished cocoa products (both included in inventory), forecasted cocoa purchases and cocoa forward contracts. In accordance with its risk management policies, the Group therefore hedges its exposure to the cocoa price risk applying fair value hedge accounting.

Furthermore, the Group hedges its exposure to foreign exchange risk and interest rate risk arising from operational, financing and investment transactions.

Derivative financial instruments are accounted for at fair value with fair value changes recognized in the Consolidated Income Statement.

In addition, the Group applies cash flow hedge accounting whereby cocoa bean futures and foreign exchange forward and future contracts are used to hedge the cocoa price risk and foreign exchange risk arising from forecasted cocoa sale and purchase contracts.

Hedge accounting

The operating companies require cocoa beans and semi-finished cocoa products for manufacturing and selling of their products. Thus, the Group is exposed to the cocoa price risk on the purchase side due to increasing cocoa prices, on the sales side and inventory held to decreasing cocoa prices. The Group therefore applies hedge accounting to hedge its fair value risk on inventory and uses commodity futures and forward contracts to manage cocoa price risks (Contract Business – see risk management note 26).

The Group and its subsidiaries enter into sales and purchasing contracts denominated in various currencies and consequently are exposed to foreign currency risks, which are hedged by the Group's treasury department or – in case of legal restrictions – with local banks. The Group's interest rate risk is managed with interest rate derivatives.

Hedge accounting is applied to derivatives that are effective in offsetting the changes in fair value or cash flows of the hedged items. The hedge relation is documented and the effectiveness of such hedges is tested at regular intervals, at least on a semi-annual basis.

Fair value hedging – for commodity price risks and foreign currency exchange risks related to the Contract Business

Generally, fair value hedge accounting is applied to hedge the Group's exposure to changes in fair value of a recognized asset or liability or an identified portion of such an asset or liability that is attributable to a particular risk, e.g. commodity price risks, and that could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is remeasured at fair value, and gains and losses from both are taken to the Consolidated Income Statement.

For cocoa inventory which is in excess of the cocoa component within sales contracts, a fair value hedge relationship is established. In this hedge relationship, the cocoa inventory is designated as hedged item and the short future contracts are designated as hedging instruments. When cocoa inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the cocoa inventory attributable to the hedged risk is adjusting the carrying amount of the hedged item (change of inventory cost value) with a corresponding gain or loss in the income statement. The hedging instrument is recorded at fair value under "Derivative financial assets" or "Derivative financial liabilities", and the changes in the fair value of the hedging instrument are also recognized in the Consolidated Income Statement.

For foreign currency exchange risks related to the firm sales commitments of industrial chocolate (Contract Business), fair value hedge accounting is applied. The hedge relationship is between the unrecognized firm sales commitment (hedged item) and the foreign currency forward sales contract (hedging instrument). The changes in fair value of the hedging instruments are recognized in the income statement. The cumulative change in the fair value of the firm sales commitment attributable to the foreign currency risk is recognized as an asset or liability with a corresponding gain or loss in the Consolidated Income Statement.

Cash flow hedging – for commodity price risks and foreign currency exchange risks arising from forecasted purchase and sales transactions and firm commitments

The Group enters into exchange-traded cocoa bean futures to hedge the cocoa price risk arising from forecasted purchases of cocoa beans and forecasted sales of cocoa ingredients, and into foreign exchange forward and futures contracts to hedge the currency risk arising from forecasted purchase of cocoa beans and forecasted sales transactions as well as firm commitments for purchases and sales denominated in foreign currencies.

The related entities apply cash flow hedge ("CFH") accounting whereby the cocoa bean futures and the foreign exchange forwards and futures are designated as hedging instruments to the underlying forecasted sales or purchase contracts to hedge the variability in cash flow that is attributable to the risk of cocoa bean price movements and to the foreign exchange risk respectively.

The fair value changes of the effective portion of the cocoa bean futures and foreign exchange forwards and futures designated as cash flow hedges are recognized in the cash flow hedge reserve in other comprehensive income and are transferred to profit or loss in the periods when the forecasted transactions are recognized in profit or loss or are no longer expected to occur. The fair value changes of the ineffective portion of these derivatives are recognized immediately in profit or loss.

Cash flow hedging – for interest rate risks

In general, Barry Callebaut applies cash flow hedge accounting for interest rate derivatives, converting a portion of floating rate borrowings to fixed rate borrowings.

Interest rate derivatives hedging exposures to variability in cash flows of highly probable forecasted transactions are classified as cash flow hedges. For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income. Gains or losses that are recognized in other comprehensive income are transferred to the income statement in the same period in which the hedged exposure affects the Consolidated Income Statement. The ineffective part of any gain or loss is recognized immediately in the Consolidated Income Statement at the time hedge effectiveness is tested.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is immediately transferred to the Consolidated Income Statement.

No hedge accounting designation

The Group's purchasing and sourcing center and the In-house Bank of the Group fair value their derivative financial instruments without applying hedge accounting.

Price List Business commodity risk hedging is based on forecasted sales volume and excluded from hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Therefore, these derivatives are carried at fair value with fair value changes recognized in the Consolidated Income Statement.

In respect of the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied. Any gain or loss on the financial derivative used to economically hedge this risk is recognized in the Consolidated Income Statement, thus compensating the gains and losses that arise from the revaluation of the underlying asset or liability.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct production costs including labor costs, and an appropriate proportion of production overheads and factory depreciation. For movements in inventories, the average cost method is applied. Net realizable value is defined as the estimated selling price less costs of completion, and direct selling and distribution expenses.

Financial assets

Financial assets are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Accordingly, financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as at fair value through profit or loss. All other financial assets, excluding loans and receivables, are classified as available-for-sale.

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at fair value, which is the consideration given for them, plus transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. Available-for-sale and fair value through profit or loss investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Group may incur on their sale or other disposal.

Gains or losses on measurement to fair value of available-for-sale investments are included directly in equity until the financial asset is sold, disposed of or impaired, at which time the gains or losses are recognized in net profit or loss for the period.

Financial assets are derecognized, using the weighted average method, when the Group loses control of the contractual rights to the cash flows of the assets or when the Group sells, or otherwise disposes of, the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows that comprise the financial asset to a third party. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisitions is the excess of acquisition date fair value of total consideration transferred plus the recognized amount of any non-controlling interest in the acquiree and the acquisition date fair value of assets acquired, liabilities and contingent liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill is recognized directly in the income statement. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Research and development costs

Research costs are expensed as incurred, whereas product development costs are only expensed as incurred when it is considered impossible to quantify the existence of a market or future cash flows for the related products or processes with reasonable assurance.

Development costs for projects relate to software, recipes and innovation and are capitalized as an intangible asset if it can be demonstrated that the project is expected to generate future economic benefits. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful life. The amortization periods adopted do not exceed eight years.

Brand names, licenses and other intangible assets

Other acquired intangible assets include brand names, licenses, customer relationships, patents and trademarks. Patents and licenses are amortized over their period of validity. All other intangible assets are amortized on a straight-line basis over their anticipated useful life not exceeding 20 years.

Property, plant and equipment

Property, plant and equipment are measured at the acquisition or construction cost less accumulated depreciation and accumulated impairment losses. A straight-line method of depreciation is applied through the estimated useful life. Estimated useful lives of major classes of depreciable assets are:

Buildings (including warehouses and installations)	20 to 50 years
Plant and machinery	10 to 20 years
Office equipment, furniture and motor vehicles	3 to 10 years

Maintenance and repair expenditures are charged to the income statement as incurred.

The carrying amounts of property, plant and equipment are reviewed at least at each balance sheet date to assess whether they are recoverable in the form of future economic benefits. If the recoverable amount of an asset has declined below its carrying amount, an impairment loss is recognized to reduce the value of the assets to its recoverable amount. In determining the recoverable amount of the assets, expected cash flows are discounted to their present value.

Borrowing costs

Borrowing costs related to the acquisition, construction, or production of a qualifying asset are capitalized in accordance with IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

Financial liabilities

Financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made. Provisions are recorded for identifiable claims and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Employee benefit obligations/post-employment benefits

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling, are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the Consolidated Income Statement as incurred.

Post-retirement benefits other than pensions

Certain subsidiaries provide health care and insurance benefits for a portion of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is also included in the position "Employee benefit obligations".

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Employee stock ownership program

For the employee stock ownership program (called "Deferred Share Plan", effective 2011–2014), treasury shares are used. In accordance with IFRS 2, the compensation costs in relation with share awards granted under the Deferred Share Plan are recognized in the income statement over the vesting period at their fair value as of the grant date.

In line with the regulation of the Deferred Share Plan, the Group may also have cash-settled share-based payment transactions. In accordance with IFRS 2, liabilities arising from cash-settled share-based payment transactions are recognized against profit or loss over the vesting period and are fair valued at each reporting date until settlement.

Other long-term employee benefits

Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Benefit cost is recognized on an actuarial basis in the income statement. The related liability is included in other long-term liabilities.

Share capital/purchase of treasury shares

Where the Company or its subsidiaries purchase the Company's shares, the consideration paid, including any attributable transaction costs, is deducted from equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Dividends

Dividends on ordinary shares are recognized as a liability when they are approved by the shareholders.

Taxes

Current income taxes are recognized based on taxable income, whereas other taxes such as non-recoverable taxes withheld on dividends, management fees and royalties received or paid are reported under "Other expenses". Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen.

Income taxes are calculated in accordance with the tax regulations in effect in each country.

The Group recognizes deferred income taxes using the balance sheet liability method. Deferred income tax is recognized on all temporary differences arising between the tax values of assets and liabilities and their values in the Consolidated Financial Statements. Deferred income tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenues from sales and services consist of the net sales turnover of semi-processed and processed goods and services related to food processing.

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns. Additionally, gains and losses related to derivative financial instruments used for hedging purposes are recognized in revenues in accordance with the policies set out in this section.

Revenues and costs related to trading of raw materials, which are fair valued, are netted. Interest income is recognized as it accrues on an effective yield basis, when it is determined that such income will flow to the Group. Dividends are recognized when the right to receive payment is established.

Government grants

Provided there is reasonable assurance that they will be irrevocably received, grants relating to capital expenditure are deducted from the cost of property, plant and equipment and thus recognized in the income statement on a straight-line basis over the useful life of the asset.

Other grants that compensate the Group for expenses incurred are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee.

Discontinued operations

Discontinued operations are separately disclosed, if a component of an entity either has been disposed of, or is classified as, held for sale. A component of an entity represents a major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. A component of an entity can be clearly distinguished operationally and for financial reporting purposes, from the rest of the entity. Discontinued operations are separately disclosed from the continued operations in the Consolidated Income Statement. Prior-year financial figures related to the income statement are adjusted accordingly (as if the operation had been discontinued as from the start of the comparative year) and also separately disclosed. Related assets are presented on the balance sheet under "Assets held for sale" and related liabilities under "Liabilities directly associated with assets held for sale", whereas in accordance with IFRS 5, no prior-year restatement has been made for these positions. Cash flow information related to discontinued operations are disclosed separately in the notes.

Introduction of new standards in 2014/15 and later

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2014, and have not been applied in preparing these Consolidated Financial Statements. The impacts on the financial statements of the standards and amendments, which are relevant, are disclosed below the table. With the exception of IFRS 9, the Group does not plan to adopt these standards early.

	Effective date	Planned application by the Group in fiscal year
New Standards or Interpretations		
IFRS 9 Financial Instruments	January 1, 2018	Fiscal year 2014/15
IFRS 15 Revenue from Contracts with Customers	January 1, 2017	Fiscal year 2017/18
Revisions and amendments of Standards and Interpretations		
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	January 1, 2014	Fiscal year 2014/15
Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	January 1, 2014	Fiscal year 2014/15
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	January 1, 2014	Fiscal year 2014/15
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	January 1, 2014	Fiscal year 2014/15
Annual Improvements to IFRSs 2010–2012 Cycle	July 1, 2014	Fiscal year 2014/15
Annual Improvements to IFRSs 2011–2013 Cycle	July 1, 2014	Fiscal year 2014/15
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	January 1, 2016	Fiscal year 2016/17
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	January 1, 2016	Fiscal year 2016/17

Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

These amendments clarify when an entity currently has a legally enforceable right to set off financial assets and financial liabilities, and also clarifies the circumstances when gross settlement is equivalent to net settlement. The amendments are to be applied retrospectively. Potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 9 – Financial Instruments and related amendments to IFRS 7 regarding transition

This standard introduces new requirements for the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment and the new hedge accounting model.

All recognized financial assets will be measured at either amortized cost or fair value through other comprehensive income and fair value through profit and loss, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. A fair value option is available as an alternative to amortized cost measurement. All equity investments are to be measured on the Consolidated Balance Sheet at fair value. Only if the equity instrument is not held for trading, an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognized in profit or loss. All derivatives are required to be measured at fair value.

IFRS 9 includes a "practical expedient" for credit allowances on trade receivables. This will allow: loss allowance equaling lifetime expected credit loss; provision matrix may be used for collective assessment of portfolios of similar receivables; reduced disclosure requirements for trade receivables that are accounted for using the simplified approach. IFRS 9 has a rebuttable presumption that default has occurred once a payment is 90 days past due. Trade receivables past due 90 days are evaluated to determine the need for an individual impairment allowance.

For a financial liability designated as at fair value through profit or loss using the fair value option, the charge in the liability's fair value attributable to charges in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch.

The Group early adopts IFRS 9 as of September 1, 2014. The Group considers that the main impact of the new standard will be on hedge accounting with the main advantage of facilitating a better alignment of hedge accounting with risk management by being able to apply hedge accounting for specific risk components of non-financial items.

IFRS 15 Revenue Recognition

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: revenue may be recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the good or service is transferred to the customer. For complex transactions with multiple components and/or variable amounts of consideration, or when the work is carried out under contract for an extended period of time, applying the standard may lead to revenue being accelerated or deferred in comparison with current requirements. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

Potential impacts on the Group's Consolidated Financial Statements have not yet been fully assessed.