Consolidated Financial Statements

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, 2015, Barry Callebaut's market capitalization based on issued shares was CHF 5,823.7 million (August 31, 2014: CHF 6,175.0 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2014: 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 of derivative financial instruments and trade receivables that are managed and will be sold under the asset backed securitization program that are both measured at fair value and for defined benefit obligation that is accounted for according to the projected unit credit method.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of September 1, 2014:

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

The Group has early adopted IFRS 9 Financial Instruments with a date of initial application of September 1, 2014. The main impacts of the new standard were on the classification and measurement of financial assets, the impairment of financial assets and hedge accounting.

Classification and measurement of financial instruments

As a result of the early adoption of IFRS 9, the Group has classified its financial assets as measured at either amortized cost or fair value through profit or loss, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. The previous classification as "at fair value through profit or loss," "loans and receivables" and "financial liabilities at amortized costs" was discontinued from September 1, 2014. In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but has classified the financial assets held at September 1, 2014 retrospectively according to the business model and based on facts and circumstances under which the assets were held at that date.

The classification of financial liabilities remained unchanged for the Group.

Impairment of financial assets

On September 1, 2014, the Group adjusted the impairment of its financial assets from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. Until August 31, 2014, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is

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made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

Hedge accounting – cocoa price risk

Prior to the application of IFRS 9, the Group applied fair value hedge accounting to hedge its exposure to changes in fair value of recognized cocoa inventory, which was designated as hedged item and the short future contracts were designated as hedging instruments.

Certain entities in the Group also applied cash flow hedge accounting whereby the cocoa bean futures were designated as hedging instruments to the underlying forecasted sales or purchase contracts to hedge the variability in cash flow that was attributable to the risk of cocoa bean price movements.

After adoption of IFRS 9, starting from September 1, 2014, the Group replaced its previous fair value hedge accounting model with respect to cocoa price risk with a new fair value hedge accounting model. The new model under IFRS 9 facilitates better alignment of hedge accounting with risk management as it makes it possible to apply hedge accounting for specific risk components of non-financial items, such as cocoa ingredients and chocolate inventories and cocoa and chocolate contracts.

Under the new model, the Group applies the net cash settlement exemption to physical cocoa purchase and sales contracts in the trading environment and the fair value option for its executory forward purchase and sale contracts (available under IFRS 9 as an alternative to the off-balance sheet treatment) in the cocoa and chocolate manufacturing environment. This fair value option is applied for those cocoa contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use contracts. Contracts accounted for as derivatives and cocoa bean futures are designated as hedging instruments under the new fair value hedge accounting model. This designation is done in order to hedge the cocoa price risk components embedded in the chocolate stocks and sales contracts as well as in the cocoa stocks, purchase and sales contracts (being the hedged items).

The new hedge accounting model primarily affected the amounts recognized for inventories and derivative financial assets and liabilities on the balance sheet (as more inventories and contracts have become eligible for hedge accounting) and did not have a major impact on the income statement.

The following summarizes the classification and measurement changes for the Group's financial assets and financial liabilities on initial application of IFRS 9 (September 1, 2014):

	Original measurement category and carrying amount under IAS 39				New measurement category and carrying amount under IFRS 9		
in thousands CHF	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Remeasurements upon application of IFRS 9 (September 1, 2014)[1]	Fair value through profit or loss	Amortized cost	Retained earnings effect on September 1, 2014
Cash equivalents	–	85,496	–	–	–	85,496	–
Short-term deposits	–	2,152	–	–	–	2,152	–
Trade receivables	–	455,487	–	(2,168)	64,060	389,259	(2,168)
Derivative financial assets	336,029	–	–	–	336,029	–	–
Other assets	–	89,922	–	–	–	89,922	–
Total assets	**336,029**	**633,057**	**–**	**(2,168)**	**400,089**	**566,829**	**(2,168)**
Bank overdrafts	–	–	17,559	–	–	17,559	–
Short-term debt	–	–	457,551	–	–	457,551	–
Trade payables	–	–	605,860	–	–	605,860	–
Derivative financial liabilities	322,856	–	–	–	322,856	–	–
Long-term debt	–	–	1,416,060	–	–	1,416,060	–
Other liabilities	–	–	176,200	–	–	176,200	–
Total liabilities	**322,856**	**–**	**2,673,230**	**–**	**322,856**	**2,673,230**	**–**

1 The remeasurements included the fair value adjustments on trade receivables that are managed under the asset backed securitization program and are considered as held for sale (fair value adjustment on September 1, 2014, amounted to CHF –0.1 million). The remeasurements also included the adjustment for the impairment of trade receivables held to collect as at September 1, 2014, reflecting the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9 (CHF –2.1 million).

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The following table compares the closing balances of impairment allowances as at August 31, 2014 with the opening balances of impairment allowances as at September 1, 2014 on initial application of IFRS 9 (excluding the trade receivables that were measured at Fair value through profit or loss both before and after the initial application of IFRS 9)

in thousands CHF	Impairment allowance as at August 31, 2014	Impairment allowance as at September 1, 2014
Cash and cash equivalents	0	0
Short-term deposits	0	0
Trade receivables	(14,476)	(16,553)
Other assets	0	0

The following table compares the closing balances of impairment allowances as at August 31, 2014 with the opening balances of impairment allowances as at September 1, 2014 on initial application of IFRS 9 in case of Trade receivables measured at amortized cost:

in thousands CHF	August 31, 2014	September 1, 2014
Total trade receivables measured at amortized cost	469,963	405,812
Less impairment provision for trade receivables	(14,476)	(16,553)
Total trade receivables measured at amortized cost	**455,487**	**389,259**
Of which:		
Not overdue	431,546	367,395
Impairment provision for trade receivables not overdue	(239)	(2,316)
Past due less than 90 days	13,311	13,311
Impairment provision for trade receivables past due less than 90 days	(143)	(143)
Past due more than 90 days	25,106	25,106
Impairment provision for trade receivables past due more than 90 days	(14,094)	(14,094)
Total trade receivables measured at amortized cost	**455,487**	**389,259**

The impairment allowances on the overdue trade receivables and other financial assets measured at amortized costs remained the same after the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. However, the change to the expected credit loss concept resulted in an adjustment of CHF –2.1 million in the case of the trade receivables that are measured at amortized cost and are not overdue. This adjustment was recognized in retained earnings on September 1, 2014.

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. It was applied for the first time retrospectively in accordance with the transitional provisions and did not have a material impact on the Group's Consolidated Financial Statements.

Other amendments to IFRS/IAS

A number of other standards have been amended on miscellaneous points. Some of these amendments are effective for this fiscal year, but did not have a material impact on the Group's Financial Statements, however did result in adjusted or additional disclosures.

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

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adjustment in the year ending August 31, 2015, are 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 interests equal to transactions with equity owners of the Group. For purchases from non-controlling interests, 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 interests 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.

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Major foreign exchange rates

	2014/15		2013/14	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.0748	1.1075	1.2054	1.2226
GBP	1.4780	1.4790	1.5165	1.4850
USD	0.9622	0.9521	0.9148	0.8984

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, loans and other receivables

Accounting policy applied from September 1, 2014

Trade receivables – with the exception of those receivables that are managed under the asset-backed securitization program – are stated at amortized cost, less expected impairment losses. Impairment allowances for receivables represent the Group's estimates of expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group measures the loss allowance for its receivables at an amount equal to the lifetime expected credit losses.

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). Before being sold, the receivables that are managed under the asset-backed securitization program are classified as financial assets measured at fair value through profit or loss.

Accounting policy applied till August 31, 2014

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

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

As the Group also acts as cocoa bean trader, certain cocoa bean purchase and sales contracts are net cash settled and therefore, contracts allocated to the same portfolio are treated as derivative contracts.

Additionally, the Group applies the fair value option for its executory forward purchase and sale contracts (available under IFRS 9 as an alternative to the off-balance sheet treatment). These exemptions are applied for those cocoa contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use 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 fair value hedge accounting to hedge its cocoa price risk embedded in its chocolate stocks and sales contracts as well as in the cocoa stocks, purchase and sales contracts and uses cocoa bean futures to manage cocoa price risks (Contract Business – see risk management note 26).

The Group is also exposed to increasing sugar prices with regards to its forecasted sugar purchases. The Group therefore applies cash flow hedge accounting when it

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hedges its sugar price risk embedded in its forecasted sugar purchases with sugar futures.

The Group also enters into long fuel oil swaps to hedge its exposure to fuel oil price movements in its forecasted freight expenditures and it applies cash flow hedge accounting for this hedging relationship.

The Group and its subsidiaries enter into sales and purchase contracts and have highly probable transactions denominated in various currencies and consequently are exposed to foreign currency risks, which are hedged by the Group's centralized 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 relationship 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 the Consolidated Income Statement. 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.

To reflect its activities of hedging its cocoa price risk exposure embedded in its cocoa and chocolate stocks and unrecognized firm commitments, the Group applies fair value hedge accounting. In this fair value hedge accounting relationship, the chocolate stocks and unrecognized firm sales commitments and the cocoa stocks, unrecognized firm purchase and sales commitments, respectively are designated as hedged items whereby cocoa bean futures are designated as hedging instruments. When cocoa and chocolate inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged cocoa price risk is adjusting the carrying amount of the hedged item (change of inventory cost value) with a corresponding gain or loss in the Consolidated Income Statement. When unrecognized firm cocoa and chocolate commitments (purchase and sales contracts) are designated as hedged items, the subsequent cumulative change in the fair value of these contracts attributable to the hedged cocoa price risk is recognized as an asset or a liability (reported as "Derivative financial assets" and Derivative financial liabilities") with a corresponding gain or loss in the Consolidated 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 firm purchase and sales commitments in certain entities, fair value hedge accounting is applied. The hedge relationship is between the unrecognized firm commitments (hedged items) and the foreign currency forward contracts and monetary items (hedging instruments). The changes in fair value of the hedging instruments (attributable to foreign currency exchange rate movements) are recognized in the Consolidated Income Statement. The cumulative change in the fair value of the hedged items attributable to the foreign currency risk is recognized as "Trade receivables and other current assets" or "Trade payables and other current liabilities" with a corresponding gain or loss in the Consolidated Income Statement.

Cash flow hedging – for commodity price risks (cocoa price risk, sugar and fuel oil) and foreign currency exchange risks arising from forecasted purchase and sales transactions and firm commitments

The Group enters into sugar futures to hedge the sugar price risk exposure embedded in certain forecasted sugar purchases, and into foreign exchange forward and futures contracts to hedge the currency risk arising from these forecasted sugar purchases.

The Group applies cash flow hedge accounting for these hedging relationships whereby the sugar futures and the foreign exchange forwards and futures are designated as hedging instruments to hedge the variability in cash flows attributable to the risk of sugar price movements and to the foreign currency risk respectively in the hedged forecasted sugar purchases.

The Group is also exposed to increasing fuel oil prices in its forecasted freight expenditures. Accordingly, it enters into long fuel oil swaps to hedge this fuel oil price risk exposure embedded in its forecasted freight expenditures, and into foreign exchange forward and futures contracts to hedge the currency risk arising from these forecasted transactions.

The Group applies cash flow hedge accounting for these hedging relationships whereby the long fuel oil swaps and the foreign exchange forwards and futures are designated as hedging instruments to hedge the variability in cash flows attributable to the risk of fuel oil price movements and to the foreign currency risk respectively in its hedged forecasted freight expenditures.

To a small extent, the Group also enters into exchange traded cocoa bean futures to hedge the cocoa price risk arising from forecasted sales of cocoa ingredients, and into foreign exchange forward and futures contracts to hedge the currency risk arising from forecasted cocoa sales transactions denominated in foreign currencies.

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

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.

Accounting for 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 Consolidated 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 centers and the Group's centralized treasury department have derivative financial instruments that are measured at fair value 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.

Other financial assets

Accounting policy applied from September 1, 2014

Other financial assets are the items that are reported on lines "Loans and other receivables" and "Other current financial assets" in note 12 - Trade receivables and other current assets. These financial assets are accounted for in accordance with IFRS 9, Financial Instruments. Accordingly, other financial assets are classified as measured at amortized cost less expected impairment losses. The Group's other financial assets have contractual cash flows that are solely principal, and interest and the business model's objective is to hold these assets to collect contractual cash flows.

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.

Impairment allowances for other financial assets represent the Group's estimates of expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group measures the loss allowance for its other financial assets at an amount equal to the lifetime expected credit losses.

Financial assets are derecognized when the Group loses control of the contractual rights to the cash flows of the assets. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

Accounting policy applied till September 1, 2014

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.

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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.

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. Those inventories that are allocated as hedged items in a fair value hedge relationship are adjusted for the change in the fair value attributable to the hedged cocoa price risk. 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.

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.

Development costs for projects relate to software, recipes and product innovation and are capitalized as an intangible asset if it can be demonstrated that the project is expected to generate future economic benefits, it is probable that those future economic benefits will flow to the entity and the costs of the asset can be measured reliably. 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.

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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

This accounting policy applies to the items that are reported on lines "Bank overdrafts," "Short-term debt," and "Long-term debt" in the Consolidated Balance Sheet and to the items reported under section "Payables representing financial liabilities" in note 21 - Trade payables and other current liabilities.

These 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

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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, Barry Callebaut AG shares are purchased on the market and passed on to satisfy the awards. 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.

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 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 the 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

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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 Chief 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 2015/16 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, 2015, 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. 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 14 Regulatory Deferral Accounts	January 1, 2016	Fiscal year 2016/17
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Fiscal year 2018/19
Revisions and amendments of Standards and Interpretations		
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
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	January 1, 2016	Fiscal year 2016/17
Equity Method in Separate Financial Statements (Amendments to IAS 27)	January 1, 2016	Fiscal year 2016/17
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	January 1, 2016	Fiscal year 2016/17
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016	Fiscal year 2016/17
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016	Fiscal year 2016/17
Disclosure Initiative (Amendments to IAS 1)	January 1, 2016	Fiscal year 2016/17

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.